

229460 SA

004-29-11

STATE OF SOUTH CAROLINA )  
 )  
 (Caption of Case) )  
 IN RE: )  
 )  
 APPLICATION OF I-WIRELESS, LLC )  
 FOR DESIGNATION AS AN ELIGIBLE )  
 TELECOMMUNICATIONS CARRIER )  
 IN THE STATE OF SOUTH CAROLINA )  
 )  
 )  
 )

BEFORE THE  
 PUBLIC SERVICE COMMISSION  
 OF SOUTH CAROLINA

COVER SHEET

DOCKET  
 NUMBER: 2011 - 107 - C

RETURN DATE: OK Postmarked 4/28  
 SERVICE: OK

(Please type or print)

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

**DOCKETING INFORMATION** (Check all that apply)

Emergency Relief demanded in petition       Request for item to be placed on Commission's Agenda expeditiously

Other: \_\_\_\_\_

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input checked="" type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

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April 27, 2011

**VIA OVERNIGHT DELIVERY**

Ms. Jocelyn G. Boyd  
Chief Clerk of the Commission  
South Carolina Public Service Commission  
101 Executive Center Drive, Suite 100  
Columbia, South Carolina 29210  
(803) 896-5100

Re: i-wireless, LLC  
Docket No. 2011-107-C

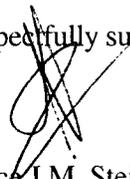
Dear Ms. Boyd:

Pursuant to letter dated March 17, 2011 in the above-referenced docket, enclosed please find for filing the company's pre-filed testimony.

I have enclosed an extra copy of this letter to be date-stamped and returned to me in the self-addressed, postage prepaid envelope I have provided.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Respectfully submitted,

  
Lance J.M. Steinhart  
Attorney for i-wireless, LLC

Enclosures

cc: Lessie Hammonds – ORS via e-mail: [lhammon@regstaff.sc.gov](mailto:lhammon@regstaff.sc.gov)  
Scott Elliott via e-mail: [selliott@elliottlaw.us](mailto:selliott@elliottlaw.us)  
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**BEFORE THE  
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
DOCKET NO. 2011-107-C**

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IN RE: )

Application of i-wireless, LLC )  
for Designation as an Eligible Telecommunications )  
Carrier in the State of South Carolina )

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**DIRECT TESTIMONY OF PATRICK MCDONOUGH**

1   **Q1: PLEASE STATE YOUR NAME, YOUR POSITION WITH I-WIRELESS,**  
2       **LLC AND YOUR BUSINESS ADDRESS.**

3   **A:** My name is Patrick McDonough. I am Vice President of i-wireless, LLC  
4       (hereinafter sometimes referred to as “i-wireless” or the “Company”) and General  
5       Manager of the Company’s Lifeline operations. My business address is 1 Levee  
6       Way, Suite 3104, Newport, Kentucky 41071. Prior to my involvement with i-  
7       wireless, I was Director of Financial Planning and Analysis for Cincinnati Bell  
8       Inc as well as acting CFO of their wireless division. I have over 20 years of  
9       management expertise, with a strong background in finance and operations.

10   **Q2: PLEASE PROVIDE A BRIEF DESCRIPTION OF I-WIRELESS, LLC.**

11   **A:** i-wireless is North Carolina limited liability company, 50% owned by The Kroger  
12       Co. and 50% owned by Genie Global, Inc. i-wireless is a reseller of commercial  
13       mobile radio service (“CMRS”) throughout the United States and provides

1 prepaid wireless telecommunications services to consumers by using the Sprint  
2 Nextel (“Sprint”) network.

3 **Q3: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 **A:** The purpose of my testimony is to demonstrate that i-wireless meets the state and  
5 federal requirements for designation as an Eligible Telecommunications Carrier  
6 (“ETC”) in the State of South Carolina.

7 **Q4: DOES I-WIRELESS CURRENTLY PROVIDE**  
8 **TELECOMMUNICATIONS SERVICE IN SOUTH CAROLINA?**

9 **A:** Yes. Through its agreement with its underlying carrier, Sprint, i-wireless is able  
10 to offer services wherever Sprint offers services in South Carolina. i-wireless’  
11 prepaid wireless services that are affordable and easy to use are attractive to low-  
12 income and lower-volume consumers, providing them with access to emergency  
13 services and a reliable means of communication that can be used both at home and  
14 while traveling to remain in touch with friends and family and for contacting  
15 prospective employers.

16 **Q5: HOW ARE I-WIRELESS’ WIRELESS SERVICES DIFFERENT FROM**  
17 **OTHER CARRIERS’ OFFERINGS?**

18 **A:** i-wireless offers a unique benefit, through its affiliation with Kroger, which  
19 allows customers to earn Free Minutes simply by shopping at select Kroger-  
20 owned store locations using their Kroger shopper’s card. Because i-wireless and  
21 Kroger are committed to low-income individuals, customers can participate in the  
22 Free Minutes program even when using government-subsidized forms of payment.  
23 Unlike many carriers, i-wireless does not impose burdensome credit checks, long-

1 term service contracts, activation fees or roaming charges. Many i-wireless  
2 customers are from low-income backgrounds and did not previously have access  
3 to high quality wireless services because of financial constraints or poor credit  
4 history. Also unlike many of its competitors, i-wireless does not charge for  
5 incoming text messages, balance inquiries, calls to 911 emergency services or  
6 calls to customer service.<sup>1</sup> i-wireless customers are able to choose a prepaid plan  
7 in which they are charged only for the minutes they use, and unused minutes carry  
8 over to the following month. Customers are not bound by a local calling area  
9 requirement; all i-wireless plans come with domestic long distance at no extra  
10 charge and exceptional nationwide digital coverage on the Nationwide Sprint PCS  
11 Network. In addition to free voice services, i-wireless will provide Lifeline  
12 customers with access to voice mail, caller I.D., call waiting services and E911  
13 capabilities at no cost.

14 **Q6: DOES I-WIRELESS CURRENTLY CONTRIBUTE TO THE FUNDING**  
15 **FOR UNIVERSAL SERVICE?**

16 **A:** Yes. i-wireless is current with both its federal and South Carolina Universal  
17 Service Fund (“USF”) contributions.

18 **Q7: DOES I-WIRELESS CURRENTLY REMIT ENHANCED 911 (“E-911”)**  
19 **FEES IN SOUTH CAROLINA?**

20 **A:** Yes. i-wireless currently remits E-911 fees in South Carolina and has done so  
21 since it launched service in the state.

22  

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<sup>1</sup> As described in the Company’s Application, some of these perks are not available on the 250-Minute plan.

1 **Q8: WHAT IS THE NATURE OF I-WIRELESS' ETC DESIGNATION**  
2 **REQUEST?**

3 **A:** i-wireless requests Eligible Telecommunications Carrier (“ETC”) designation in  
4 South Carolina solely to provide Lifeline service to qualifying consumers; it will  
5 not seek access to funds from the federal USF high cost program. i-wireless does  
6 not seek designation as an ETC for the purpose of offering Link Up service to  
7 customers.

8 **Q9: DOES I-WIRELESS MEET THE REQUIREMENTS FOR OBTAINING**  
9 **ETC DESIGNATION?**

10 **A:** Yes. i-wireless meets the requirements for ETC designation contained in federal  
11 regulations as well as those enumerated in S.C. Code Regulation 103-690.  
12 Attached hereto as Exhibit 1 is an affidavit in support of i-wireless’ Application  
13 for ETC designation in South Carolina. i-wireless recognizes that Section  
14 214(e)(1)(A) of the Act states that ETCs shall offer services, at least in part, over  
15 their own facilities and that the FCC’s Rules (47 C.F.R. § 54.201(i)) prohibit state  
16 commissions from designating as an ETC a telecommunications carrier that offers  
17 services exclusively through the resale of another carrier’s services. However, on  
18 June 25, 2010 the FCC conditionally granted i-wireless’ petition for forbearance  
19 from the facilities-based service requirement for the purposes of participating in  
20 the Lifeline program (“*i-wireless Forbearance Order*”). The *i-wireless*  
21 *Forbearance Order* was attached to i-wireless’ Application as Exhibit 3. i-  
22 wireless’ Lifeline service will comply with the conditions of the *i-wireless*  
23 *Forbearance Order*, as detailed in the Company’s Application.

1 **Q10: ARE STATES LEGALLY REQUIRED TO COMPLY WITH THE FCC'S**  
2 **FORBEARANCE ORDER?**

3 **A:** Yes. While I am not an attorney, I understand that when the FCC exercises its  
4 forbearance authority under Section 10 of the Act, it is binding on all state  
5 commissions. Section 10(e) of the Act provides: “[a] State commission may not  
6 continue to apply or enforce any provision of this chapter that the [Federal  
7 Communications] Commission has determined to forbear from applying under  
8 subsection (a) of this section.” As such, this Commission may not apply the  
9 facilities-based requirement to i-wireless. Indeed, the Commission has the  
10 authority to act under Section 214(e)(2) of the Act and to grant i-wireless’ request  
11 for designation as an ETC throughout the State of South Carolina.

12 **Q11: WHY DOES I-WIRELESS SEEK ETC DESIGNATION ONLY FOR**  
13 **LIFELINE?**

14 **A:** In the *i-wireless Forbearance Order*, i-wireless’ petition for forbearance was  
15 granted for the purposes of participating in the Lifeline program, but denied for  
16 the purposes of participating in the Link Up program. Furthermore, i-wireless  
17 does not assess charges for connection or activation of service, so the consumer  
18 does not need Link Up support.

19 **Q12: HAS I-WIRELESS BEEN DESIGNATED AS AN ETC IN ANY OTHER**  
20 **STATES?**

21 **A:** i-wireless was designated as an ETC in Illinois on April 15, 2011. i-wireless has  
22 an application pending with the FCC for ETC designation in Alabama,  
23 Connecticut, Delaware, District of Columbia, New Hampshire, New York, North

1 Carolina, Tennessee and Virginia; and has applications for ETC designation  
2 pending in Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois,  
3 Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, New Jersey, Ohio,  
4 Oregon, Pennsylvania, Utah, Washington and West Virginia. i-wireless has not  
5 been denied ETC status by any regulatory authority.

6 **Q13: WHAT FUNCTIONS WILL I-WIRELESS OFFER TO LIFELINE**  
7 **SUBSCRIBERS IF GRANTED ETC STATUS?**

8 **A:** i-wireless offers, or will offer upon designation as an ETC in South Carolina, all  
9 of the services and functionalities required by the FCC's rules and S.C. Code Reg.  
10 § 103-690.C(a):

11 a. *Voice-grade access to the public switched telephone network.* The  
12 FCC has concluded that voice grade service means the ability to make and  
13 receive phone calls, within a specified bandwidth and frequency range. i-  
14 wireless meets this requirement by providing voice-grade access to the  
15 public switched telephone network. Through its interconnection  
16 agreements, all customers of i-wireless are able to make and receive calls  
17 on the public switched telephone network within the specified bandwidth.

18 b. *Local usage.* ETCs must include local usage beyond providing  
19 simple access to the public switched network as a part of a universal  
20 service offering. i-wireless includes specified quantities of usage in its  
21 rate plans that may be used for local calling and thereby complies with the  
22 requirement. It is important to note that currently, the FCC has not  
23 adopted any minimum local usage requirements. FCC rules further

1 require an ETC applicant to show it has a local usage plan comparable,  
2 although not identical, to that offered by the ILEC in the same service  
3 area. Similar to ILEC offerings, i-wireless customers can choose from  
4 monthly plans, unlimited plans or pay-per-use plans, and will have the  
5 option to apply the Lifeline discount to the Company's retail rate plans.  
6 However, i-wireless will exceed ILEC plans in the following respects:  
7 contrary to ILEC plans, i-wireless will offer customers a certain amount  
8 of service free of charge; i-wireless customers can use their minutes to  
9 place calls statewide (or even nationwide) because i-wireless does not  
10 impose a local calling area requirement; i-wireless will provide Lifeline  
11 customers with access to voice mail, caller I.D., call waiting services and  
12 E911 capabilities at no cost.

13 c. *Dual-tone, multi-frequency ("DTMF") signaling or its functional*  
14 *equivalent.* DTMF, more commonly known as touch-tone, is a method of  
15 signaling that facilitates the transport of call set-up and detail information.  
16 Through its interconnection agreements, i-wireless provides DTMF  
17 signaling to its customers. All wireless handsets offered for sale by the  
18 Company are DTMF-capable

19 d. *Single-party service or its functional equivalent.* Single-party  
20 service means that only one party will be served by a subscriber loop or  
21 access line during a telephone transmission. i-wireless meets the  
22 requirement of single-party service by providing a dedicated message path  
23 for the length of all customer calls.

1 e. *Access to emergency services.* The ability to reach a public  
2 emergency service provider by dialing 911 is a requirement in any  
3 universal service offering. i-wireless currently provides 911 and E911  
4 access for all of its customers, and will continue to comply with all FCC  
5 E911 requirements applicable to wireless resellers.

6 f. *Access to operator services.* Access to operator services is defined  
7 as any automatic or live assistance provided to a consumer to arrange for  
8 billing or completion, or both, of a telephone call. i-wireless currently  
9 provides access to operator services.

10 g. *Access to directory assistance.* i-wireless currently offers access to  
11 directory assistance services.

12 h. *Access to interexchange service.* i-wireless provides its customers  
13 with the ability to make interexchange telephone calls. In fact, long  
14 distance calls are included in i-wireless' service with no additional  
15 charge.

16 i. *Toll limitation for qualifying low-income consumers.* Toll  
17 limitation allows customers to block the completion of outgoing long  
18 distance calls to prevent them from incurring significant long distance  
19 charges and risking disconnection. The nature of i-wireless' service  
20 mitigates the need for toll control. i-wireless' service is not offered on a  
21 distance-sensitive basis and minutes are not charged separately for local  
22 or domestic long distance services. Since i-wireless' service is a prepaid  
23 service, no customers will be disconnected for failure to pay toll charges.

1 **Q14: HOW QUICKLY WILL I-WIRELESS BE ABLE TO PROVIDE LIFELINE**  
2 **SERVICE?**

3 **A:** Upon designation as an ETC, i-wireless will be able to provide Lifeline service to  
4 all qualified customers within a reasonable period of time. i-wireless provides  
5 service in South Carolina by reselling service which it obtains from its underlying  
6 facilities-based provider. The provider's network is operational and largely built  
7 out. Thus, i-wireless will be able to commence offering its Lifeline service to all  
8 locations served by its underlying carrier very soon after receiving approval from  
9 the Commission. Indeed, it already serves those areas.

10 **Q15: HOW RELIABLE IS I-WIRELESS' QUALITY OF SERVICE?**

11 **A:** As a reseller, i-wireless' service is of the same quality and reliability as that of its  
12 underlying carrier. To demonstrate its commitment to high service quality, i-  
13 wireless commits to comply with the Cellular Telecommunications and Internet  
14 Association's (CTIA) Consumer Code for Wireless Service.

15 **Q16: IS I-WIRELESS ABLE TO REMAIN FUNCTIONAL IN EMERGENCY**  
16 **SITUATIONS?**

17 **A:** Through its underlying carrier, i-wireless has the ability to remain functional in  
18 emergency situations. Through its agreement with Sprint, i-wireless provides to  
19 its customers the same ability to remain functional in emergency situations as  
20 currently provided by Sprint to its own customers, including access to a  
21 reasonable amount of back-up power rerouting of traffic around damaged  
22 facilities, and the capability of managing traffic spikes resulting from emergency  
23 situations.

1 **Q17: HOW DOES I-WIRELESS INTEND TO ADVERTISE THE**  
2 **AVAILABILITY OF THE SUPPORTED SERVICES?**

3 **A:** i-wireless will broadly advertise the availability and rates for its Lifeline services  
4 using media of general distribution as required by federal law and S.C. Code Reg.  
5 § 103-690.C(a)(1)(C)(7). i-wireless' partnership with Kroger presents a unique  
6 advantage when seeking to increase consumer awareness of the Lifeline program.  
7 Kroger has a long-standing relationship with the low income consumer, and even  
8 caters to the consumer through store layout, such as clearly labeling food stamp-  
9 eligible items. i-wireless intends to utilize Kroger's existing relationship with  
10 Lifeline-eligible consumers in order to inform these consumers of their eligibility  
11 for Lifeline support. For example, when a customer pays with a government-  
12 subsidized form of payment at Kroger, their printed cash register receipt will  
13 automatically generate information informing them of their eligibility for the  
14 Lifeline program and how they can obtain more information. i-wireless will also  
15 make use of the Kroger in-store radio, printed advertisements, and signage.  
16 Printed materials describing i-wireless' Lifeline program will be available at i-  
17 wireless in-store kiosks.

18 i-wireless intends to advertise its Lifeline service outside of its Kroger  
19 footprint using printed advertisements, billboards and public transit signage. i-  
20 wireless will also promote the availability of its Lifeline offerings by distributing  
21 brochures at various state and local social service agencies, and intends to partner  
22 with nonprofit assistance organizations in order to inform customers of the  
23 availability of its Lifeline services. In addition, in order to comply with the

1 requirements of 103-690(C) of the Commissions rules, i-wireless will submit a  
2 two-year plan that describes the Company's plans for advertising and outreach  
3 programs for identifying, qualifying, and enrolling eligible participants in the  
4 Lifeline program.

5 **Q18: WILL I-WIRELESS COMPLY WITH THE LIFELINE CERTIFICATION**  
6 **AND VERIFICATION REQUIREMENTS?**

7 **A:** Yes. i-wireless will certify and verify consumer eligibility in accordance with the  
8 FCC's requirements and with applicable Commission rules. i-wireless has  
9 contracted with Solix, a well-known, experienced and reputable firm in the USF  
10 industry, to assist in reviewing customer applications and verifying eligibility. i-  
11 wireless will utilize South Carolina's qualifying criteria for Lifeline (currently  
12 TANF, Food Stamps, and Medicaid).

13 **Q19: HAS I-WIRELESS MADE ANY COMMITMENTS TO COMBAT WASTE,**  
14 **FRAUD AND ABUSE OF THE PROGRAM?**

15 **A:** i-wireless recognizes the importance of safeguarding the USF. Therefore, i-  
16 wireless has implemented the following 60-day non-usage policy. If no usage  
17 appears on an i-wireless Lifeline customer's account during any continuous 60-  
18 day period, i-wireless will promptly notify the customer that the customer is no  
19 longer eligible for i-wireless Lifeline service subject to a 30-day grace period.  
20 During the 30-day grace period, the customer's account will remain active, but i-  
21 wireless will engage in outreach efforts to determine whether the customer desires  
22 to remain on the Company's Lifeline service. If the customer's account does not  
23 show any customer-specific activity during the grace period, i-wireless will

1 promptly deactivate Lifeline services and cease to seek reimbursement from the  
2 USF for that customer.

3 **Q20: IN WHAT SERVICE AREAS IS I-WIRELESS SEEKING DESIGNATION**  
4 **AS AN ETC?**

5 **A:** i-wireless requests designation as an ETC in the wire centers where it currently  
6 has network coverage, as detailed in Exhibit 7 of the Company's Application. i-  
7 wireless' Application seeks only low-income Lifeline support from the federal  
8 USF. Low-income support and high-cost support are very different, and the  
9 purpose of a cream-skimming analysis is to prevent a competitive ETC receiving  
10 high-cost support from targeting high density wire centers in a rural LEC service  
11 area to the detriment of the rural LEC. Accordingly, i-wireless requests that the  
12 Commission waive that portion of S.C. Code Reg. 103-690 requiring a "cream-  
13 skimming" analysis.

14 **Q21: WHAT ARE THE RATES AND TERMS OF I-WIRELESS' LIFELINE**  
15 **SERVICE OFFERING?**

16 **A:** i-wireless will provide Lifeline service under the brand name "Access Wireless."  
17 A description of i-wireless' proposed Lifeline plans was attached to the  
18 Company's Application as Exhibit 2, and demonstrated that eligible customers  
19 will receive a free handset and a minimum of 150 anytime prepaid minutes per  
20 month at no charge, with additional service priced at \$0.10/minute and \$0.10/text  
21 message. Subscribers will have the option to apply the \$15 Lifeline discount to  
22 any of i-wireless' retail plans (excluding text-only plans). Customers can change  
23 their plan on their monthly plan date, without penalty, should they determine that

1 another plan better meets their needs or if their needs change. In addition to voice  
2 services, prepaid Lifeline customers also will have access to voice mail, caller  
3 I.D. and call waiting services at no cost. Customers may use their minutes to  
4 place domestic long distance calls at no additional charge. Unlike many carriers,  
5 unused minutes carry over to the following month, and i-wireless does not  
6 decrement minutes for incoming text messages, balance inquiries, or calls placed  
7 to customer service.<sup>2</sup> Calls to 911 emergency services are always free.

8 Furthermore, through i-wireless' partnership with Kroger, the nation's  
9 largest grocery retail chain and second largest retailer overall, customers can  
10 accumulate free minutes for dollars spent at select Kroger owned store locations  
11 using their Kroger shopper's card. Currently, i-wireless has partnerships with 13  
12 Kroger stores in South Carolina. Lifeline customers can participate in this Free  
13 Minutes program even when utilizing government-subsidized forms of payment.  
14 By way of example, households can receive up to a \$668 monthly Supplemental  
15 Nutrition Assistance Program (SNAP; formerly known as food stamps)  
16 allotment. These customers, taking the Company's feature-rich 150 Minute plan  
17 as an example, would qualify for an additional 134 free minutes, on average, per  
18 month. Added to their base plan, this would give them, on average, 284 minutes  
19 per month, along with all of the perks (rollover minutes, free incoming texts and  
20 world class customer care).

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<sup>2</sup> As described in the Company's Application, some of these perks are not available on the 250-Minute plan.

1 **Q22: HOW DID I-WIRELESS DETERMINE THE PRICING OF ITS LIFELINE**  
2 **PLANS?**

3 **A:** In order to receive all available federal USF support, i-wireless must offer \$13.50  
4 in Lifeline support. At 10 cents per minute, \$13.50 would afford a Lifeline  
5 customer 135 minutes. i-wireless decided to contribute an additional \$1.50 in  
6 order to afford the Lifeline customer the benefit of 150 minutes. i-wireless also  
7 believes the customer should have the option to add their own money to the \$15  
8 discount in order to upgrade to a retail plan that may better meet their needs.

9 **Q23: HOW WILL CUSTOMERS SIGN UP FOR SERVICE?**

10 **A:** Customers interested in obtaining information on the Lifeline program will be  
11 directed to a toll-free telephone number and to i-wireless' Access Wireless  
12 website, which will contain information regarding the Company's Lifeline service  
13 plan, including a detailed description of the program and state-specific eligibility  
14 criteria. Customers may then request that a Lifeline enrollment form be mailed to  
15 them, or they can download a form from the internet or retrieve a form from i-  
16 wireless kiosks in Kroger. Applicants must complete the enrollment form, which  
17 will include a place where applicants must attest and certify under penalty of  
18 perjury that they satisfy the requisite eligibility criteria. In addition, each  
19 applicant is required to certify under penalty of perjury, at the time of application  
20 and annually thereafter, that they are head of their household and receive Lifeline-  
21 supported service only from i-wireless. The applicant must return the signed  
22 enrollment form and all supporting documentation to the address provided by i-  
23 wireless.

1 **Q24: WILL CUSTOMERS BE REQUIRED TO PAY FOR HANDSETS?**

2 **A:** i-wireless Lifeline customers will receive an E911-compliant wireless handset at  
3 no charge, and i-wireless intends that all handsets will be data-capable, high  
4 quality refurbished phones. These phones come with a one year manufacturer  
5 warranty. All wireless handsets issued by i-wireless are capable of accessing 911  
6 services without charge regardless of activation status and availability of minutes.

7 **Q25: HOW AND WHEN WILL THE MONTHLY ALLOTMENT OF MINUTES  
8 BE DELIVERED TO CUSTOMER HANDSETS?**

9 **A:** The Lifeline discount (whether in the form of minutes or dollar credit, depending  
10 upon the Plan option the customer chooses) will be credited to the customer's  
11 account at the beginning of every 30-day cycle, which is initiated on their Lifeline  
12 activation date. A customer's handset does not have to be "on" to receive minutes.

13 **Q26: HOW WILL CUSTOMERS COMMUNICATE WITH I-WIRELESS  
14 REGARDING QUESTIONS, CONCERNS OR COMPLAINTS?**

15 **A:** Customers are able to contact i-wireless via a toll free number or by dialing 611  
16 from their i-wireless phone. They will also be able to contact Customer Care via  
17 the Company's website or by mail. In South Carolina, there are 13 retail locations  
18 where customers may ask questions or buy additional airtime, should they wish to  
19 do so. i-wireless contracts with a high quality, U.S. domestic customer care group  
20 whose hold time is among the lowest in the prepaid wireless industry. Therefore  
21 the benefits with i-wireless in regards to customer service are three-fold: service  
22 standards are high, wait times are low, and minutes of use do not count against a  
23 customer's account balance. i-wireless is committed to resolving customer

1 questions, concerns and complaints in a swift and satisfactory manner.

2 **Q27: HOW IS I-WIRELESS ADDRESSING THE CURRENT ECONOMY?**

3 **A:** The benefits that i-wireless' Lifeline offering provides to low-income individuals  
4 are of great significance given the current economic downturn. According to the  
5 United States Bureau of Labor Statistics, South Carolina experienced an  
6 unemployment rate of 10.7 percent as of December 2010. The availability of a  
7 wireless telephone is often critical to unemployed South Carolina residents and  
8 their efforts to search for employment opportunities. A mobile telephone allows  
9 individuals to be reached at any time and location and enable them to respond to  
10 potential employers immediately. In addition, a mobile telephone allows low-  
11 wage individuals to remain in contact with their employers and supervisors, and  
12 to respond to requests to work additional hours.

13 i-wireless foresees that the implementation of its Lifeline program will  
14 create the need for i-wireless employees in South Carolina. Once its Lifeline  
15 program is underway, i-wireless intends to hire South Carolina residents as  
16 representatives who will work with store locations and distribution throughout the  
17 state.

18 **Q28: HOW WILL I-WIRELESS' PRESENCE AS AN ETC IN SOUTH**  
19 **CAROLINA SERVE THE PUBLIC INTEREST?**

20 **A:** A central purpose of the Telecommunications Act of 1996 was to "promote  
21 competition and reduce regulation ... to secure lower prices and higher quality  
22 services ... and encourage the rapid deployment of new telecommunications

1 technologies” to all citizens, regardless of geographic location or income.<sup>3</sup>  
2 Designation of i-wireless as an ETC would undoubtedly further these goals. i-  
3 wireless’ Lifeline service will provide low-income South Carolina residents with  
4 the convenience and security offered by wireless services—even if their financial  
5 position deteriorates. Many low-income customers in South Carolina have yet to  
6 reap the full benefits of the intensely competitive wireless market. Whether  
7 because of financial constraints, poor credit history or intermittent employment,  
8 these consumers often lack the countless choices available to most consumers.

9 i-wireless enables customers to control their costs by choosing a prepaid  
10 plan in which they are charged only for the minutes they use. i-wireless’ Lifeline  
11 rate plans will allow feature-rich mobile connectivity for qualifying subscribers  
12 through a variety of rate plans that are comparable in minutes and features to  
13 those available to post-paid wireless subscribers – but at low Lifeline rates and  
14 without the burden of credit checks, contracts, activation fees or roaming charges.  
15 Low-income consumers will further benefit from i-wireless’ service because of i-  
16 wireless’ unique software distribution platform that will allow customers to  
17 purchase both phones and refill minutes at small, local stores in neighborhoods  
18 where many Lifeline-eligible customers reside. Without question, prepaid  
19 wireless services have become essential for low-income customers, providing  
20 them with value for their money, access to emergency services on wireless  
21 devices, and a reliable means of contact for prospective employers, social service  
22 agencies or dependents. Providing i-wireless with the authority necessary to offer

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<sup>3</sup> The Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, 56 (1996).

1 discounted Lifeline services to those most in danger of losing wireless service  
2 altogether undoubtedly promotes the public interest.

3 **Q29: WHAT ARE SOME OF THE BENEFITS OF INCREASED**  
4 **COMPETITIVE CHOICE?**

5 **A:** Designation of i-wireless as an ETC will promote competition and innovation,  
6 and spur other carriers to target low-income consumers with service offerings  
7 tailored to their needs and to improve their existing networks to remain  
8 competitive, resulting in improved services to consumers. Introducing i-wireless  
9 into the market as an additional wireless ETC provider will afford low income  
10 South Carolina residents a wider choice of providers and available services while  
11 creating a competitive marketplace as ETCs compete for a finite number of  
12 Lifeline-eligible customers. Increasing the competitive marketplace of providers  
13 has the potential to effectively increase the penetration rate and reduce the number  
14 of individuals not connected to the PSTN, while helping to assure that quality  
15 services are available at just, reasonable, and affordable rates. According to data  
16 released in March 2010 from USAC, fewer than 20% of consumers eligible for  
17 Lifeline Services in the State of South Carolina were being provided such  
18 services.<sup>4</sup> i-wireless expects that qualified consumers will elect to participate in  
19 Lifeline if they are aware of a wireless option, and that the availability of  
20 competing Lifeline programs will encourage greater participation in the Lifeline  
21 program. Designation of i-wireless as an ETC would offer Lifeline-eligible  
22 consumers an additional choice of providers for accessing telecommunications

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<sup>4</sup> See Exhibit 5 of i-wireless' Application.

1 services, representing a significant step towards ensuring that all low-income  
2 consumers share in the many benefits associated with access to wireless services.

3 **Q30: IF I-WIRELESS'S PETITION IS GRANTED, WILL THERE BE ANY**  
4 **FINANCIAL IMPACT ON THE UNIVERSAL SERVICE FUND?**

5 **A:** i-wireless seeks ETC designation solely to utilize USF funding to provide Lifeline  
6 service to qualified low-income consumers. It does not seek and will not accept  
7 high cost support. According to the Universal Service Monitoring Report in 2010,  
8 Lifeline funding totaled approximately \$974 million in 2009 while high-cost  
9 program expenditures amounted to approximately \$4.3 billion—more than four  
10 times the amount of Lifeline funding. With Lifeline, ETCs only receive support  
11 for customers they obtain. The amount of support available to an eligible  
12 subscriber is exactly the same whether the support is given through a company  
13 such as i-wireless or the Incumbent LEC operating in the same service area. i-  
14 wireless will only increase the amount of USF Lifeline funding in situations  
15 where it obtains Lifeline customers not enrolled in another ETC's Lifeline  
16 program. Significantly, i-wireless' designation as an ETC will not increase the  
17 number of persons eligible for Lifeline support. As stated in the Act, the universal  
18 service fund was established to ensure that quality services are available to all  
19 individuals at just, reasonable and affordable rates. i-wireless' ability to increase  
20 the Lifeline participation rate of qualified low-income individuals will further the  
21 goal of Congress to provide all individuals with affordable access to  
22 telecommunications service. As noted by the FCC in the *i-wireless Forbearance*  
23 *Order*, "A new entrant should incent existing wireless reseller ETCs to offer

1 better service and terms to their customers, which provides additional evidence  
2 that forbearance in the context of the Lifeline program outweighs the potential  
3 costs.”

4 **Q31: DOES I-WIRELESS AGREE TO COMPLY WITH ALL COMMISSION**  
5 **RULES AND REGULATIONS REGARDING ETC?**

6 **A:** Yes. i-wireless hereby asserts its willingness and ability to comply with all the  
7 rules and regulations that the Commission may lawfully impose upon the  
8 Company’s provision of service contemplated by its application for ETC  
9 designation, including regulations regarding designation of an ETC found in S.C.  
10 Code Reg. 103-690 and Annual Reporting Requirements for ETCs found in S.C.  
11 Code Reg. 103-690.1.

12 **Q32: IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD TO YOUR**  
13 **TESTIMONY?**

14 **A:** Yes. Based on my testimony above, I would like to reiterate that i-wireless meets  
15 all legal requirements for designation as an ETC. Accordingly, the South  
16 Carolina Public Utilities Commission should unconditionally and promptly grant  
17 i-wireless’ application for designation as an ETC so that i-wireless may  
18 commence providing Lifeline service to qualified low-income South Carolina  
19 households at the earliest possible time.

*Direct Testimony of Patrick McDonough*  
*April 27, 2011*

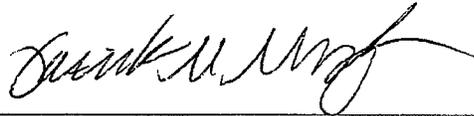
EXHIBIT 1



VERIFICATION

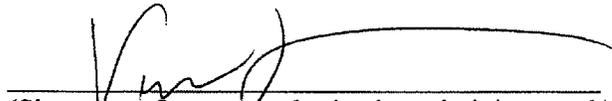
I, Patrick McDonough, do hereby declare under penalty of perjury, that the foregoing testimony is true and correct to the best of my knowledge and belief.

Executed on 12/7, 2010



Patrick McDonough  
Vice President

Subscribed and sworn to before me,  
this 7<sup>th</sup> day of December 2010.

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(Signature of person authorized to administer oath)

(Notary Seal)